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SUBJECT: HALIFAX STRUGGLES TO KEEP UP WITH U.S. COMPETITORS IN ASIAN
CONTAINER BUSINESS

REF: (A) 06 VANCOUVER 1366; (B) 06 VANCOUVER 1225

SUMMARY:

[¶1.](#) The port of Halifax and the province of Nova Scotia are looking for C\$400 million from Ottawa so they can go head-to-head with U.S. ports in handling rapidly increasing volumes of container traffic from China and India. Without federal support for marketing and infrastructure expansion, local industry analysts fear Halifax will continue to see decreased activity and eventually lose all chance to cash in on this new global shipping trend. End Summary.

Introduction

[¶2.](#) Officials with the Port of Halifax are in the midst of a tough competition to capture a share of the booming Asian container business. Shipments from China and the Indian sub-continent to North America are growing at a rapid pace and west coast ports are facing a capacity crisis as they try catch-up by expanding their facilities. For example, Prince Rupert, British Columbia is embarking on a multi-million dollar expansion program (reftels). But, ports along the east coast of North America also see opportunities to handle a part of the Asia business. Halifax is one such port, but it faces stiff competition from ports in New York/New Jersey, Baltimore, southern Virginia and Savannah, which are already moving forward with expansion and improvement programs. Port officials, and government and business leaders in Halifax fear their city is lagging behind, hindered by the absence of a strategic growth plan and the funds to boost the port's competitive status.

Halifax's current competitive status

[¶3.](#) In its promotional material, Halifax presents itself as a top notch, uncongested port, blessed with a naturally deep, ice-free harbor and the closest North American port in travel time to Europe and the Suez Canal. Its other advantages include an existing network of transportation links to Central Canada and the United States, which local officials boast is the most efficient in Eastern North America. Not so evident are the disadvantages. One of the more significant is its rail service provided by Canadian National (CN), the only rail company serving the port. Port marketing officials contend that potential customers are turned off by what they regard as the non-competitive nature of that relationship, but of more concern is CN's equipment schedules. Port stakeholders complain that CN unilaterally sets the schedules and port users are expected to align their schedules with CN's. The result - containers are left on the dock, waiting for a train.

Addressing Stagnant Growth

[¶4.](#) Overall, officials readily acknowledge that the most

pressing problem for the port is that few Asian shippers are aware of Halifax's potential as a gateway into the North American market. This identity problem has resulted in Halifax lagging behind its competitors as evidenced by five years of stagnant container activity. In 2006 the port's two container piers handled approximately 530,000 TEUs (twenty-foot equivalent units), about half of the port's capacity. For the first quarter this year, container volume has slipped three percent compared with the same period last year. So what to do to counter the slide? As an early measure, officials have taken their marketing campaign directly to China and also to India where last year they contracted with a company in New Delhi to carry out a promotional program within the country. The port also recently touted its Suez link by entering into an agreement with the Suez Canal Authority, aimed at promoting Asian trade through the canal.

Enter the Gateway Concept

¶5. While analysts applaud these marketing initiatives, the bigger concern is that Halifax must move quickly to upgrade its facilities if it expects to go head-to-head with its U.S. rivals in the North American gateway competition. A primary concern is room to expand. The port has an opportunity to double its size by developing lands adjacent to one of its container piers. However, the "chicken and egg" question comes into play - improve and build now and use the new facilities as a drawing card, or try to improve after attracting the new Asian business. Not surprising money is a prime consideration, especially since any large-scale improvement to container facilities would also require corresponding upgrades to the existing transportation network. Recognizing that these expansion issues extend beyond their jurisdiction, port officials pushed for the creation of a coordinating, consultative body called the Halifax Gateway Council. Formed in 2004, the Council has a varied membership, a reflection of the anticipated far-reaching effects of the future

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growth of the port. On the council are representatives of other ports in Nova Scotia, the cruise ship industry, shipping companies, the Halifax International Airport Authority, airlines, local business organizations and the three levels of government.

Developing the Strategy: the role of the Provincial Government

¶6. Given the significant impact that the port of Halifax has on the economic wellbeing of the entire province, the Nova Scotia government has made development of the Asian-North American gateway concept one of its top priorities. Provincial politicians see their role as working with the Gateway Council in crafting a strategy for further developing the port of Halifax. Later, the focus would expand to include all provincial ports such as Sydney and possibly a new container port on the Strait of Canso, as proposed by SA Marine of Seattle. One regional scenario would be to form a partnership with the port of Saint John in the neighboring province of New Brunswick.

Finding the money: Looking to Ottawa

¶7. Another anticipated role for the provincial government is coordinating the requests for federal funds to support the gateway initiative. The figure economists and business leaders predict the province would need comes in at approximately C\$400 million. This would include money for marketing initiatives and port upgrades, but also for roads and highways, especially upgrading the Nova Scotia portion of the TransCanada highway. Local and provincial officials are hoping to tap into the federal government's Gateways and Border Crossings program, seeing federal assistance for the expansion of Prince Rupert and the Pacific Gateway as a precedent. However, at present the province has not formally applied for funding as officials are still consulting with industry analysts, port stakeholders, economists and business leaders on developing the province's case.

COMMENT:

18. All port stakeholders agree that Halifax is at a significant decision point. Without a major marketing push, improvements to its facilities, and support from Ottawa, the port is going to miss what industry analysts see as the chance of a lifetime and the port will very likely never play in the big leagues with its U.S. competitors. Just how the federal funding issue will unfold is unclear. So for now, the port is pushing ahead with its own initiatives - things like hosting a trade mission from India and investing in two more super-size cranes. But as one industry consultant told us these measures aren't what the port needs most - it's lots of cash, an increased profile and a string of new shipping lines. End Comment
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